

JSC Bank of Georgia to receive a US\$200 million financing package from IFC and EBRD

JSC Bank of Georgia (LSE: BGEO) (the "Bank"), Georgia's leading universal bank, announced today the signing of agreements with International Finance Corporation ("IFC") and the European Bank for Reconstruction and Development ("EBRD") providing of loan facilities to the Bank in an aggregate amount of US\$200 million, comprised of a separate US\$100 million financing package on substantially the same terms from each of IFC and EBRD.

The US\$100 million financing package provided by each bank will be comprised of a senior loan, subordinated loan and convertible subordinated loan with the following terms:

i) Senior Loan:

Amount: US\$50 million (from each of EBRD and IFC);

Repayment: 6 semi-annual instalments commencing on 15 January 2011 (in the case of IFC) and 7 semi-annual instalments commencing 24 months from first disbursement (in the case of EBRD);

ii) Subordinated Loan:

Amount: US\$23.96 million (from each of EBRD and IFC);

Repayment: single bullet repayment after 10 years or, at the option of the Bank, subject to Financial Supervision Agency of Georgia ("FSA") approval, after 5 years;

Conversion: The Subordinated Loans carry a "Distressed Conversion Option", whereby IFC and EBRD can convert their respective Subordinated Loans into ordinary shares in the Bank if both:

(a) its Convertible Subordinated Loan as described below has been fully disbursed and fully converted into shares; and

(b) the Bank's Tier I Capital Adequacy Ratio falls to a level below 0.5% above the FSA's regulatory minimum for a 30-day period or, in circumstances where the failure to maintain the ratio above this level results from a depreciation in the Lari against the US dollar by more than 20% over a 30 day-period (a "Depreciation Event"), the ratio falls to a level below 0.5% above the FSA's regulatory minimum for a 90-day period.

If the Distress Conversion Option has become exerciseable as a result of a Depreciation Event the conversion right shall be limited to such amount as is necessary for the Bank to restore its Tier I Capital Adequacy Ratio to 11%. In other circumstances, the Distressed

About Bank of Georgia

Bank of Georgia, the leading universal Georgian bank with operations in Georgia and Ukraine, is the largest bank by assets, loans, deposits and equity in Georgia, with 33% market share by total assets (all data according to the NBG as of 30 September, 2008). The bank has 140 branches and over 904,000 retail and more than 133,000 corporate current accounts. The bank offers a full range of retail banking and corporate and investment banking services to its customers across Georgia. The bank also provides corporate and retail insurance products through its wholly-owned subsidiary, Aldagi BCI, as well as asset & wealth management services

Bank of Georgia has, as of the date hereof, the following credit ratings:

Standard & Poor's	'B/B'
FitchRatings	'B/B'
Moody's	'B3/NP' (FC) & 'Ba1/NP' (LC).

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Conversion Option may be exercised to full extent of the relevant Subordinated Loan. The conversion price per share is the Bank's net asset value per share as most recently reported to the FSA.

iii) *Convertible Subordinated Loan:*

Amount: US\$26.04 million (from each of EBRD and IFC);

Repayment: single bullet repayment after 10 years or, at the option of the Bank, subject to the FSA approval, after 5 years;

Conversion: The Convertible Subordinated Loans may be converted into ordinary shares in the Bank at the option of IFC and EBRD as well as the Bank in certain circumstances. IFC and EBRD may convert their respective Convertible Subordinated Loans at any time during the first five years of the loan into shares representing a combined shareholding of IFC and EBRD of up to 10% on a fully diluted basis of the current issued share capital (in aggregate approximately 3.4 million ordinary shares). The conversion price per ordinary share (the "General Equity Option Price") is the lower of the Bank's consolidated net asset value per ordinary share as determined by reference to its annual audited balance sheet for 2008 and US\$15. If the Bank issues shares or grants options to acquire shares at a price below the General Equity Option Price, IFC and EBRD may in certain circumstances have option to convert their Convertible Subordinated Loans at that lower price. In such event, the conversion of the Convertible Subordinated Loans may result in IFC and EBRD acquiring a combined shareholding in excess of 10% of the Bank's current issued share capital. The Bank may in certain circumstances at its option trigger a conversion of the Convertible Subordinated Loans into shares at the General Equity Option Price. The conversion rights are subject to anti-dilution provisions that entitle each of IFC and EBRD to subscribe up to 255,458 additional shares at the market price per share at the time of conversion in the event that its shareholding on conversion would otherwise fall below 5% of the Bank's total issued share capital at the time of conversion. The Bank has agreed to maintain a sufficient number of authorised but unissued shares to permit the conversion by IFC and EBRD of their respective Convertible Subordinated Loans.

The proceeds of the Senior Loans will be applied for the purposes of making sub-loans to customers. The Subordinated Loans and Convertible Subordinated Loans will be used to support the capital of the Bank as Tier II Capital.

"I am very pleased that IFC and EBRD have joined forces to become Bank of Georgia's long-term partners. The long-term nature of this partnership is yet another testament of IFC's and the EBRD's confidence in Georgian economy, its banking sector and Bank of Georgia, in particular. This highly customized Financing Package will further strengthen our capital base and liquidity position, enabling the Bank to comfortably refinance its international debt obligations for the next two years." noted **Nicholas Enukidze**, Chairman of the Supervisory Board of Bank of Georgia.

"Over the past several years, Georgia's banking sector has made remarkable progress in deepening financial intermediation and facilitating economic growth," said **Jyrki I. Koskelo**, IFC Vice President. "This investment into the Bank of Georgia will help promote a stable and healthy banking sector which is critical for other sectors of the economy to develop. We are happy to support the Bank of Georgia together with the EBRD and are considering other opportunities in the Georgian banking sector jointly."

Varel Freeman, EBRD First Vice President, said the "swift reaction by international financial institutions demonstrates our preparedness to stand by our partners in times of needs. The EBRD is ready to support structurally sound clients to overcome the current crisis. This is key for the preservation of a sound banking system and the return to sustainable growth in the future.